On November 20, 1995, GMM made a private offer in order to place Secured Export Notes up to U.S.$600 million, U.S.$525 million of which were placed on November 28, 1995 and U.S.$80 million on October 28, 1996 and U.S.$ 5 million from Series "A" were prepaid with an outstanding balance as of that date of U.S.$600 million. In August, 1998, the Company issued a new Series "E" Notes, and the resources were assigned to prepayment of Series "A" and Series "B-2" Notes.

The credit is guaranteed by Immsa, Mexcobre, Mexcananea, Mimenosa and MMI, denominated as main subsidiaries.

The management of these Secured Export Notes is through a trust indenture, where the trustee and the issuer of the notes is The Bank of New York, GMM is the founder of the trust and the trustees are all the holders of the notes, and the Chase Manhattan Bank as collateral agent . Likewise, collections of export sales from the main subsidiaries were established as collaterals for the notes, therefore, they must be deposited in collateral accounts opened at the agent bank. The subsidiaries may immediately dispose of collected amounts , provided there is no event of default. In addition, in case of any default, there is a reserve banking account guaranteeing payment of the debt's service (principal and interest) for the next three months, before the collateral collection accounts are used.

On November 18,1996, GMM entered into a long-term credit agreement to finance the expansion of the copper smelter plant, owned by Mexcobre, with the Export Development Corporation, in the amount of U.S.$49.9 million, payable in 14 equal installments every six months starting on July 17, 1997, bearing interest payable every six months at a LIBOR annual interest rate plus 0.75%. Mexcobre was established as a guarantor of this loan.

On August 21, 1996, GMM entered into a long-term export loan agreement with Société Génerale, in the amount of U.S.$21.3 million, payable in 14 equal installments every six months starting on June 15,1997, bearing interest payable semi-annually at a LIBOR interest rate plus 0.25%. Mexcobre and Immsa were established as collaterals for this loan. While this credit is in effect certain acting and abstaining from acting obligations must be fulfilled.

While these credits are in effect several requirements must be fulfilled, the most important of which are mentioned as follows:

GMM and its subsidiaries may not incur in any debt, if as a result of this debt, the index of indebtedness to capitalization, determined on a consolidated basis, exceeds 45%.

GMM stockholders' equity at a consolidated level shall not be lower than Ps6,700 million updated as of June, 1995 and as of the date on which they were determined, or lower than Ps.12,000 million updated as of December 1997, and as of the date on which they are determined.

GMM and its subsidiaries may not incur in any debt, if as a result of this debt the ratio of interest coverage (net income pus charges to results that did not generate cash expenditure against interests paid for the computed period) is less than 2.5 to 1.0.

At no time shall the export collection of the last month be lower than the sum paid to principal and interest of the notes from the previous month at a ratio of 1.5 to 1.0, and at no time shall the average of the monthly export collection for the last three months be lower than the sum paid for the principal and interest of the previous month notes, at a ratio of 2.0 to 1.0.

On a yearly basis, and starting from the first year of the original issuance of the notes, with respect to the program Secured Export Notes, GMM and its subsidiaries shall not permit the export collection of the last 12 months to be below the level of the lower of the following: U.S.$ 150 million plus 25% of the principal from any additional issuance of notes or, 30% of the outstanding principal amount payable of all of the notes, including any additional issuance of notes.

In September 1998 and February 1999, GMM made financial investments through the acquisition of a portion of the secured debt notes for a total amount of U.S.$39.9 million and U.S.$5.0 million (market value at the acquisition date) respectively. The purpose of this operation was to obtain a return by virtue of the existing market conditions for this kind of instruments on that date. This instrument was amortized during the first semester of the year 2000, therefor as of June 30 of this year it shows a guaranteed debt decrease.

On October 6,1998, GMM entered into a syndicated long-term credit agreement with the Bank of America, in the amount of U.S.$130.million, payable in 5 installments, every six months starting on September 28,2001, bearing an interest payable quarterly at LIBOR annual interest rate plus 0.90%. Mexcobre, Immsa, Mexcananea, Mimenosa and MMI were established as guarantors for this loan.

On June 15, 1998, GMM entered into a long-term credit agreement primarily to finance the purchasing of assets of Canadian origin for the construction of the copper and precious metals refinery owned by Mexcobre, and other assets of subsidiary companies, with the Export Development Corporation, up to a sum of U.S.$75 million of which U.S.$ 59.2 million had been disposed of by December 31, 1999, amount payable in 10 equal installments every six months starting on December 15, 1998, bearing an interest payable every six months at LIBOR annual interest rate plus 0.625%. Mexcobre, Immsa, Mexcananea, Mimenosa and MMI were established as guarantors for this loan.

On June 9, 2000, GMM entered into a revolving and syndicated credit agreement with several credit institutions lead by the Bank of America as Agent-Manager and by the Chase Manhattan Bank as syndication agent, for an amount of U.S.$100 million to be granted on two charge items, for an 18-month term at a LIBOR interest rate plus 1.375%. The credit is guaranteed by Immsa, Mexcobre, Mexcananea, Mimenosa and MMI.

As of December 31, 1999 and 1998, GMM has complied with all the requirements under the credit agreements, except in 1999 for not complying with one of the two minimal qualifications for the Secured Export Notes, according to Standard & Poors qualifying agency. As a result of this breach, the Company paid U.S. $1,443 thousand as a fee for obtaining the relevant waiver.

GFM

In 1999 Ferromex entered into a credit agreement in the amount of U.S.$95 million for the acquisition of 50 locomotives maturing in January, 2000, bearing a LIBOR rate interest plus 2%.

This debt was restructured in two phases: on February 16, 2000 covering the debt to Bank of America with the Exim-Bank collateral through 20 installments for a total of U.S.$3.9 million starting from February 25, 2000 and until August 25, 2009, bearing a LIBOR interest rate plus 0.1% to be paid semi-annually; and on March 15, 2000, covering the debt to the Bank of America by means of 6 installments for a total of U.S.$3.276 million starting from September 15, 2002 and until March 15, 2005, bearing a LIBOR interest rate plus 3.375% to be paid every six months.

The short-term and long-term debt includes a sub-leasing agreement entered into between Ferromex and FNM, with respect to 24 locomotives that the latter has leased with Arrendadora Internacional, S.A. de C.V.. The balance, as of December 31, 1999 and 1998, is Ps.40,031 million and Ps. 81,497 million, respectively, payable in 6 variable installments every six months and bearing an interest payable semi-annually at a variable rate, according to the sub-leasing agreement.

Asarco

In November 1999 and due to the acquisition of Asarco, this company prepaid the outstanding balance of two revolving credits that were replaced by a new revolving credit agreement and a long-term credit line facility. The new revolving credit agreement permits to take new credits for a total of U.S:$450 million. U.S.$ 265 million were disposed of as of December 31, 1999, and an additional amount of U.S.$108 million through March 31, 2000. The revolving credit matures on November, 2002. The line of credit for long-term loans permits to take loans for a total of U.S.$817 million, which were totally disposed of by December 31, 1999, and during January and June 2000, U.S.$492 and U.S.$ 225 million were prepaid, respectively. Therefore, the balance due from this credit as of June 30, 2000 is of U.S.$100 million, which were prepaid during the first days of July, 2000. This line of credit matures in May, 2001. All of the loans under both financial agreements are revolving under the scheme of "Alternate Tax Base" (ATB) or in Eurodollars. The ATB revolving credits bear an interest based on the highest of the following rates: (a) American preferential rate, (b) certificates of deposit basic rate plus 1% and (c) effective rate of American federal funds plus .5 of 1%, plus the applicable differential. The loans in Eurodollars bear an interest based on the adjusted LIBOR rate plus the applicable differential. The rates may fluctuate pursuant to Asarco's debt qualification.

Both the revolving credit agreemet and the line of credit for long-term loans have clauses that establish the minimal requirements for consolidated income before interest, tax, depreciation, and amortization expense starting on

June 30, 2000 and that limit annual investments in fixed assets to U.S.$90 million. Those agreements are guaranteed by GMEXICO, which, in turn, must comply with specific negative, affirmative and financial covenants.

SPCC

In April 1997, SPCC entered into a 7-year credit agreement in the amount of U.S.$600 million with a pool of international financing institutions. This agreement consists of a line of credit for long-term loans for U.S.$400 million and a line of revolving credit for U.S.$200 million. During the first three years of the agreement term, the interest rate applicable to the loans in effect will be LIBOR plus 1.75% per year for long-term loans and LIBOR plus 2.00% for revolving credit loans. An annual fee of 0.5% will be paid on the portion of the credit that has not been disposed of as a debtor commitment. As of December 31, 1999, SPCC had not disposed of any amount under this agreement. SPCC's loan agreements establish under their most restrictive provisions, the possibility of additional indebtedness as of December 31, 1999 up to a total of U.S.$903.4 million.

Some of SPCC's financing agreements include provisions that limit dividend payments to stockholders. Pursuant to the most restrictive provision, SPCC will be able to pay dividends to its stockholders for an amount equal to 50% of the net earnings of any quarter provided that such dividends are paid by June 30, of the subsequent year, at the latest. Consequently, as of December 31, 1999, SPCC has net assets for U.S.$596.4, included in GMEXICO's consolidated net assets, which are not available for paying dividends. In addition, a number of SPCC's financial agreements are guaranteed by certain receivables and by its leaching plant.

4) Managements, comments and discussion on GMEXICO's financial condition and operating results.

GMEXICO's business is affected by a number of factors described below which must be considered in evaluating its financial position and the operating results and cash flows of GMEXICO for the periods described in this prospectus.

General:

Mining Division

GMEXICO's mining commodity selling prices depend principally upon metal market prices, especially for copper and to a lesser extent, zinc and silver. Such prices can fluctuate widely and are beyond GMEXICO's control. Since the majority of the volume of metals produced by GMEXICO can generally be sold at prevailing market prices, GMEXICO's operating results are highly sensitive to such prices. GMEXICO's results were adversely affected in 1997, 1998 and 1999, by decreases in copper prices, although the diversity of GMEXICO's metal production partly mitigated the effects of these market price fluctuations. Copper prices averaged U.S.$0.72 per pound in 1999, as compared to an average of US$0.75 per pound in 1998 and U.S.$1.04 per pound in 1997. The price of copper was U.S.$0.85 per pound on December 31, 1999 and reached a low of U.S.$0.61 per pound in 1999. Low copper prices resulted in lower net sales, operating earnings, EBITDA and lower net earnings in 1998, which improved in 1999 and 2000. *See "Market Information and Competitive Advantages".* If low prices continue or prices fall further, these effects will persist or be magnified.

In 1999, each change of U.S.$0.01 per pound in the average price of each of the following metals would have changed net income by approximately the amount indicated: copper – Ps.58.7 million; zinc – Ps.18.1 million; lead – Ps.6.3 million; and silver Ps.1.1 million. See *"Market Information and Competitive Advantage, Price of Metals and Tariffs"* for information concerning market prices for metals.

From time to time, GMEXICO has entered into options and futures or fixed-price forward sales contracts with respect to a portion of its expected future production of metals. See *"Quantitative and Qualitative Disclosure About Market Risk Commodity Price Risk."* Gains and losses on such transactions, together with amortization of any initial fees or other costs of such transactions, are reported net under cost of sales.

Railroad Division

Between 1995 and 1997 the Mexican railroad system started to open up to private investment, including giving concessions to private investors Tariffs were until then subject to the Freight and Express Service Single Tariff called "TUCE"("Tarifa Unica de Carga y Express*)*. This tariff was the framework to fix railroad freight transportation rates for each product segment and according to the ton-kilometers of shipment. TUCE did not take into account market factors. Over the years, TUCE raised the basic tariffs but those increases have generally been under inflation rates. In 1993, after a newly implemented rate increase, FNM started to offer discretionary discounts to high-volume costumers or to certain costumers facing financial or operating difficulties.

Ferromex determines its tarif rates based on operating costs plùs a margin. Since the rates registered with the SCT are maximum rates, Ferromex is free to negotiate the size of any discounts offered to reflect such factors as distance between origin and destination, high-volume shipment, value added transport, route selection, customer-supplied cars, special services, and delivery time concessons. Ferromex's policy is to apply rate increases that keep pace with inflation in Mexico. After the artificially low-level tariffs mantained during the period under the government control, Ferromex believes that railroad customers are in general accepting of rate increases that are higher than those to which they were accustomed prior to 1998, because of the service and equipment improvements achieved by the carriers in Mexico. Ferromex may change maximum tariffs registered with the SCT at any time or from time to time with respect to one or more product segmets. Ferromex is trying to negotiate dollar expressed rates, particularly in the intermodal and automotive segments, which would permit rate adjustments according to the United States CPI.

Effects of Exchange Rate Fluctuations and Inflation

In 1997, GMEXICO adopted the guidelines of the Fifth Amendment to Bulletin B-10 (modified) issued by the Instituto Mexicano de Contadores Publicos, A.C. (Mexican Institute of Public Accountants, Civil Association) and determined to restate all of the property and equipment of domestic and foreign origin and its effect on results using indexes based on the general level of prices. Until 1996 GMEXICO used specific replacement costs of the same and the corresponding depreciation, determined by an independent appraiser based on his estimates of the useful life of the corresponding assets. Values determined as of December 31, 1996 for property and equipment are considered as the historic cost for the subsequent restatements and their depreciation has been determined on the basis of estimates of the useful life of the assets.

GMEXICO has significant assets and liabilities recognized in U.S. Dollars and, because it has net U.S. dollar-denominated net liabilities, it is exposed to foreign exchange losses when the peso declines in value against the U.S.dollar. See "*Selected Financial Information - Types of Exchange Rates,*" "*Operating Results in 1999, 1998, and 1997*" and "*Quantitative and Qualitative Disclosures about Market Risk*".

GMEXICO has had a substantial net monetary liability position (monetary liabilities exceeding monetary assets) for all periods discussed in this prospectus and has recorded net earnings its monetary position during those periods. When inflation is higher, GMEXICO records a greater gain on its monetary position.

Summary of Prices and Tariffs, Sales Volumes and Net Sales

Most of the copper produced by GMEXICO is sold as refined metal according to annual contracts or at spot price. The remaining copper is sold as copper concentrate under contracts effective from one to three years. Silver and gold are sold under monthly contracts or at spot price.Income is recorded during the month in which the product is sent to costumers on the basis of the prices set forth in the sales contracts. When the price cannot be determined at the time of shipment to the customer, income is recorded on the basis of the prices prevailing at the time of the shipment and on the average the definite price is fixed within the subsequent three months after shipment. Income derived from these sales is adjusted during the payment period in order to reflect the definite prices and in the periods prior to payment to reflect any decrease in the market prices that might occur between the shipment date and the payment date. Ferromex records income to the extent in which transportation services are rendered.

The following table sets forth, for each of the periods indicated and for each of GMEXICO's principal categories of metallic products and railroad services, the averaged realized prices (expressed in historical United States dollars); for sales volumes and net sales (expressed in constant pesos or in historical United States dollars); for revenues from railroad services, the revenues of the periods below are presented in constant pesos of the aforesaid periods.

Mining Division

	Year ending on December 31,			First six months of	
	1997	1998	1999	1999	2000
Average Price of Realization (U.S.$)					
Metallic Copper (per pound)	U.S.$ 1.03	U.S.$ 0.77	U.S.$ 0.76	U.S.$ 0.68	U.S.$ 0.87
Copper concentrate	-	0.72	0.47	-	0.66
Refined Zinc (per pound)	0.65	0.51	0.53	0.49	0.55
Zinc concentrate (per pound of zinc content)	0.62	0.44	0.51	0.47	0.38
Silver (per ounce)	4.80	5.59	5.24	5.19	5.14
Gold (per ounca)	338.46	305.52	280.42	282.55	288.09

Lead (per pound)	0.27	0.24	0.24	0.23	0.21
Volumes sold					
Metallic copper (metric tons)	355,797	366,311	493,396	197,860	509,487
Copper concentrate (metric tons of copper content)	211	13,813	3,661	538	31,447
Refined Zinc (metric tons)	102,830	99,563	101,907	51,708	48,693
Zinc concentrate (metric tons of zinc content)	41,894	51,490	51,077	28,133	51,348
Silver (kilogramos)	563,001	678,812	662,196	299,070	434,385
Gold (kilograms)	3,018	3,245	2,127	1,051	2,711
Lead (metric tons)	33,922	30,452	53,235	20,522	13,598
Net Sales (millons of constant pesos As of March 31, 2000)					
Copper:					
Metallic	Ps. 9,426.8	Ps. 7,199.5	Ps. 8,519.1	Ps. 3,213.4	Ps. 9,271.1
Concentrate	9.2	286.1	38.6	(6.7)	437.2
Total	9,436.0	7,485.6	8,557.7	3,206.7	9,708.3
Zinc:					
Refined	1,699.8	1,297.3	1,228.7	605.8	572.3
Concentrate	663.9	580.0	591.9	317.4	413.8
Total	2,363.7	1,877.3	1,820.6	923.2	986.1
Silver	1,012.1	1,414.0	1,152.1	535.7	685.8
Gold	381.8	369.1	199.3	102.9	238.5
Lead	238.4	183.7	283.7	113.7	58.3
Others	1,064.6	988.0	988.3	409.5	971.3
Total	Ps. 14,496.6	Ps. 12,317.7	Ps. 13,001.7	Ps. 5,291.7	Ps. 12,648.3
Change percentage of the previous period	(8.8)%	(15.0)%	5.5%	(10.9)%	139.0%
Net sales (millons of US históric dollars.)	U.S.$1,240.9	U.S.$1,058.2	U.S.$1,318.3	U.S.$490.3	U.S.$1,321.9

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Change percentage of the previous period	5.8%	(14.7)%	24.6%	(6.9)%	169.6%

Railroad Division

The following charts show the tons/kilometer and the income for reach of the different segments and the % of contribution of such segment.

Net Tons/Kilometer

SEGMENT	Year ended December 31		During the first six months	
	1998 (1)	1999	1999	2000
Agriculture	5,322	6,286	3,097	3,428
Minerals	4,907	6,243	3,207	2,998
Petroleum	1,258	1,925	901	1,045
Fertilizers	712	630	267	280
Automotive	491	347	203	184
Metals	836	790	449	326
Cement	1,888	2,436	1,163	1,256
Chemicals	-	1,175	469	836
Industrial products	3,627	2,858	1,396	1,566
Intermodal		1,013	437	628
Total	**19,041**	**23,703**	**11,589**	**12,548**

Revenues (Millions of constant pesos at June 30, 2000)

SEGMENT	Year ended December, 31		During the first six months	
	1998 (1)	1999	1999	2000
Agriculture	Ps. 1,228.2	Ps.1,350.1	Ps. 669.1	Ps. 683.0
Minerals	898.9	1,051.0	550.8	472.7
Petroleum	268.4	283.0	140.9	167.1
Fertilizers	160.3	157.4	66.1	85.1
Automotive	186.0	142.2	83.1	78.3
Metals	217.4	210.3	117.7	100.6
Cement	425.6	508.7	252.9	262.6
Chemicals	-	249.6	103.2	158.7
Industrial Products	871.9	664.0	324.0	366.2
Intermodal	-	294.1	121.6	191.8
Passengers	26.4	51.6	26.3	20.4
Car Hire	35.6	136.2	22.9	88.8
Others	71.8	157.6	84.3	29.6
Total	4,390.5	5,255.8	2,562.9	2,704.9
Total without passengers, Car Hire and others	Ps. 4,256.7	Ps.4,910.4	Ps.2,429.4	Ps.2,566.1

(1) 1998, beginning on February 18

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NEW MEXICO GROUP

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Operating Results in 1999, 1998 and 1997, and as of June 30, 2000 and 1999.

i) Operating Results in 1999, 1998, and 1997.

GMEXICO reported operating income in 1999 and 1998 of Ps.2,078.0 million and Ps.2,951.8, respectively, which actually represented a decline of 29.6% vis-à-vis 1998. The decrease in 1999 was due basically to an operating cost increase in sales which represented 73.7% of the sales, caused by a) Asarco's incorporation in the companies consolidation for the last 44 days of 1999; b) the adverse effect of the appreciation of the Mexican peso against the dollar, since approximately 82% of GMEXICO's revenues are in dollars and c) lower volume sales of metals due to the start-up, in 1999 , of La Caridad plant of precious metals which required accrual of inventories in the gold and silver processes. The operating profit in 1998 compared to that in 1997, of Ps.3,594.8 million, decreased by 17.9% in real terms. The decrease was mainly due to lower realization prices of the principal metals traded by GMEXICO despite the favorable impact on the results with the incorporation of the railroad segment.

GMEXICO reported a net profit of Ps.2,137.1 million in 1999, Ps.882.6 million in 1998, and Ps.3,196.4 million in 1997. The decrease in the net result in each case was basically due to the operating profit reduction.

Net Sales

Net sales in 1999 were Ps.18,079.0 million, 9.0% more than in 1998. The increase was due primarily to the consolidation of subsidiaries and Asarco's sales since November 17 and a larger volume of copper sales, which partially offset the slight decline of the average realization price. The net sales expressed in historic dollars increased by 23%. Net sales in 1998 were Ps.16,581.7 million, 14.4% more than in 1997, The increase was basically due the peso devaluation in 1998 and the incorporation of the railroad segment. The net sales expressed in U.S. historical dollars were increased by 14.7%. Export sales represented 48% of the total sales in 1999, 51% in 1998 and 51% in 1997.

Copper sales. Net copper sales in 1999 were Ps.8,557.7 million, 14.3% lower than in 1998, due to the incorporation of Asarco's sales since November 17. In terms of U.S. dollars, metallic copper average realized price of metallic copper was 1.3% lower than in 1998. The 30.8% increase in the volume of copper was due to a larger production at the Mexcobre Unit and the volumes of Asarco's refined copper. The net sales of copper in 1998 were in the amount of Ps. 7,485.6 million, 20.7% lower than in 1997, due to the effects of the real appreciation of the peso versus the United States dollar, which were partially offset by the volumes of metallic copper sales. In United States dollar terms, the average realized price of metallic copper in 1998 was lower by 26 cents of a dollar in respect to 1997, which represented a 25.2% decrease.

Zinc sales. Net zinc sales in 1999 were Ps.1,820.6 million, 3.0% lower than in 1998, due to the real appreciation of the peso versus the dollar, partially offset by a larger volume sold. The average realized price in 1999 was 3.9% higher for refined zinc and 15.9% higher for zinc concentrate. The 1.3% increase of zinc sold represented additional sales of refined zinc. Net zinc sales in 1998 were in the amount of Ps,1,877.3 which represented a 20.6% decrease vis-à-vis 1997. The negative impact of the lower zinc prices in 1998 was increased by a lower volume of sold refined zinc.

Silver sales. Net silver sales in 1999 were Ps.1,152.1 million, 18.5% lower than in 1998, due to lower prices and a lower volume sales, as a result of the start-up of the new precious metal refinery, which required additional quantities of silver to build-up its production in process inventory. The average realized price for silver was 6.3% lower, and the volume of silver sold was 2.4% lower. Net silver sales in 1998 were Ps.1,414.0 million, 39.7% higher than in 1997, due to better sales prices and larger volumes sales of silver.

Gold sales. Net gold sales in 1999 were Ps.199.3 million, 46.0% lower that in 1998 due to lower sales prices and lower volume sales as a result of the start-up of the new precious metal refinery which required additional quantities of gold to build-up its production in process inventory. The average realized price of gold was 8.2% lower and the volume of gold produced was 34.4% lower . Net gold sales in 1998 were Ps.369.1million, 3.3% lower than in 1997, due to lower realized prices which were partially offset by higher volume sales.

Lead Sales. Net lead sales in 1999 were Ps.283.7 million, 54.4% higher than in 1998, primarily due to the consolidation of Asarco's lead sales. Net lead sales in 1998 were Ps. $183.7 million, 23.0% lower than in 1997, due to lower realized prices and lower volume sales.

Railroad services revenues. Total revenues in 1999 were Ps.5,255.8 million, 19.7% higher than Ps.4,390.5 million in 1998, because 1998-tax-year operations started on February 19 of said year.

Agricultural segment. Net revenues in this segment in 1999 were Ps.1,350.1 millions, 9.9% higher than in 1998, due to the large participation in the grain import market, which partially helped to offset the operations decrease impact on the domestic market primarily due to the extended draught season and to changes in grains trade, due to the disincoporation of Conasupo (Compañía Nacional de Subsistencias Populares- National Company of Popular Supplies). The revenues in 1998 were Ps.1,228.2 million.

Mineral segment. Net revenues in this segment in 1999 were Ps.1,051.0 million, 16.9% higher than in 1998 due to the shipment of iron ore by Ferromex lines from Manzanillo to Monterrey, which in 1998 were moved through the interlinear system with TFM. The mineral segment revenues in 1998 were for Ps. 898.9 million.

Chemical, Industrial and Intermodal segments. Net revenues in these segments in 1999 were Ps.1,207.7 million, 38.5% higher than in 1998, due to an intermodal traffic volume increase between Manzanillo and the Valley of Mexico, and between Altamira Port and Manzanillo Port, specifically in the industrial segment, where a substantial increase of beer exportation to the United States occurred. Net revenues of the Chemical, Industrial and Intermodal segments in 1998 were for Ps. 871.9 million.

Cement segment. Net revenues in this segment in 1999 were Ps.508.7 million, 19.5% higher than in 1998, due to service improvement by sharing the transport market. In 1998, net revenues in this segment were Ps.425.6 million.

Petroleum Segment. Net revenues of this segment in 1999 were Ps.283.0 million, 5.4% higher than in 1998, due to the increase of operations with the CFE and Pemex. In 1998, net revenues of this segment were Ps.268.4 million.

Fertilizer Segment. Net revenues of this segment in 1999 were Ps.157.4 million, 1.8% lower than in 1998. This decrease was due to problems about domestic manufacturing of urea and some customers' inventory. In 1998 net revenues of this segment were Ps.160.3 million.

Metal Segment. Net revenues of this segment in 1999 were Ps.210.3 million, 3.3% lower than in 1998, because one of the main costumers reduced its production levels. In 1998, net revenues of this segment were Ps. 217.4 million.

Automotive segment. Net revenues of this segment in 1999 were Ps.142.2 million, 23.5% lower than in 1998, due to the transference of cargo of the assembly plants in Aguascalientes and Silao, to the short route heading toward the border operated by TFM. In 1998 net revenues of this segment were Ps.186.0 million.

Consolidated cost of sales

The reported cost of sales in 1999 and 1998 was Ps. 13,317.0 and Ps. 11,023.9 million, respectively, which represents a 20.8% increase in real terms. The increase was mostly due to: (a) an increase in real terms of both the mining industry and the railroad inputs, and (b) the recognition of costs of Asarco and SPCC's sales beginning November 18, 1999. With respect to 1997, the 1998 sales cost was 21.6% higher than 1997's in real terms since during 1998 the railroad operations were incorporated to GMEXICO's consolidation.

Mining Division

Cost of sales in 1999 was Ps. 9,628.5 million, 17.1% higher than in 1998. The increase was due basically to the increase in real terms of the operating costs, to a larger sales volume of copper and to Asarco and subsidiaries' incorporation in GMEXICO's consolidation on November 18. See "Business Description-Effective Production Cost in Terms of Copper." Cost of sales in 1998 was Ps.8,225.6 million.

Railroad Division

The accrued operating cost as of 1999 was Ps. 3,606.8 million. It was increased by 28.8% with respect to the accrued operating cost as of 1998, which was an irregular tax year, since operations began on February 18, 1998. The cost increase was derived from a greater maintenance of equipment and infrastructure in 1999 and to the increase in real terms of its main inputs such as diesel and spare parts for train and tractive equipment. Ferromex, when it started its activities in February, 1998, focused on activating purchasing and hiring services which started to standardize

equipment maintenance and preservation toward the end of 1998. The railroad operation cost is basically integrated by labor cost representing approximately 33%, diesel and gasoline expenses with 12%, locomotive maintenance representing 12% and supplies and spare parts for hauling equipment representing approximately 4%.

Administrative Expenses

Administrative expenses in 1999 were in the amount of Ps. 849.0 millions, which represent a 31.6% increase in real terms with respect to 1998. The increase in 1999 was due basically to the consolidation of Asarco's expenses. Administrative expenses in 1998 were Ps. 645.1 million, which represent a 44.3% increase with respect to 1997, due to the cost of implementing efficiency and productivity programs and to issuance costs of GMM's debt in the amount of U.S.$500 million.

Depreciation

Depreciation expense in 1999 was Ps.2,281.3 million, 16.3% higher than in 1998. The increase was due primarily to a higher number of fixed assets, as a result of the capitalization of new processing plants such as the new rod and precious metals plant, to the incorporation of Asarco and SPCC's consolidation and to the equipment book-value increase, as a result of higher inflation in 1999. The depreciation expense in 1998 was Ps. 1,961.0 million, 41.0% higher than in 1997. The increase was due basically to a higher number of fixed assets, as a result of the capitalization of the new copper refining plant and to the expansion of copper smelting capacity and to the incorporation of the railroad segment in February,1998.

Net financing (cost) income

Net financing (cost) income represents the effect of interest expense, interest income, foreign exchange loss and gain on net monetary position, which arises from the effect of inflation on the average net balance of monetary liabilities. Net financing income has been affected by (i) the level of GMEXICO's cash and marketable securities; (ii) the rates of return on short-term investmets; (iii) GMEXICO's level of indebtedness; (iv) the interest rates of GMEXICO's indebtedness; (v) the inflation rate; and (vi) the devaluation rate.

Net financing (cost) income was a credit of Ps. 686.5 million in 1999, a charge of Ps. 1,325.6 million in 1998 and a credit of Ps. 105.1 million in 1997. The change from 1999 to 1998 was due basically to a 4.2% revaluation of the peso against the dollar, to higher income obtained from return on temporary investments on securities representing shares and investmet of cash surplus. The change from 1997 to 1998 was due primarily to a 23.2% devaluation of the peso against the dollar and to higher debt cost because of higher interest rates, as a result of the increase of liabilities (primarily because of the issuance of debt) and, on the other hand, by the reduction of returns on temporary investments on securities representing shares and investment of cash surplus.

Other net income (expenses)

Other net income (expenses) consisted of a charge on results of Ps.62.4 million on results, compared to a credit of Ps. 12.1 million in 1998, and a credit of Ps.68.9 million in 1997.

ISR,IMPAC (asset tax)(income tax) and employee's profit sharing.

GMEXICO and its subsidiaries' tax returns are consolidated and filed at the level of Grupo México. Every year each of its Mexican subsidiaries pays to GMEXICO the tax amount, if any, that they would have paid had they filed a separate tax return. In the event GMEXICO reduces its consolidated tax liability through the application of tax loss carryforwards or other tax benefits of GMEXICO or any of its subsidiaries, GMEXICO is forced to reimburse such tax benefit to its subsidiaries at the time at which such benefit would have reduced the tax payable by said subsidiary.

GMEXICO is subjet to income tax regulations and to an alternative minimum corporate tax known as IMPAC (asset tax), which is currently assessed at 1.8% on the net average balances of certain assets and liabilities. GMEXICO and its subsidiaries are also required under Mexican law to pay employees, in addition to their normal compensation and benefits, a profit sharing in amounts based on the taxable income of the employing entity.

In 1997, GMEXICO took advantage of a Mexican Government pronouncemet (ARE) which granted an option to deduct up to 100% of realized investments on new fixed assets (except automobiles) within the period of November 1,1995 to December 31, 1996. In 1999, a portion of this benefit balance was applied against the IMPAC

base in the amount of Ps. 148.8 million, which is reflected on that year's provision. In future years, these benefits will be reverted as fixed assets depreciation in books, and will not be deductible for tax effects. As of December 31,1999, there is a carryforward balance in the amount of Ps. 58.6 million to be applied against the IMPAC in the subsequent three years.

GMEXICO has not been required to recognize any deferred taxes under GAAP terms. A change effective in 2000, however, will require GMEXICO to recognize deferred taxes in a manner similar to United States Accounting Standards (FASB No. 109).

Unusual charges and plant closure write-downs

GMEXICO experienced an extended strike at the Cananea Unit beginning in late 1998, and in response, GMEXICO accelerated the closing of certain facilities and ultimately dismissed approximately 1,000 union and non-union employees. These events gave rise to a one-time charge of Ps. 387.3 million in 1998 results, and of Ps. 80.0 million in 1999, formed by Ps. 153.7 million in unusual charges consisting of nonproductive fixed charges expended during the stoppage and Ps.313.6 million attributable to the penalty on the smelter, tailing dumps and water operations that were shut down.

Minority interest

Minority interest in net income was Ps. 172.2 million in 1999, attributable primarily to: (a) the shares of minority stockholders, (b) the equity interest of 26% ownership of Union Pacific in GFM, and (c) as a result of The acquisition of Asarco, a 45.7% PD ownership, the Peruvian Mining Union and other minoritary interests in SPCC are included. The minoritary interest in net income was Ps. 259.2 million in 1998 and Ps. 110.5 million in 1997, basically representing the minority interest in Mexcananea and Mexcobre. On December 29,1997, GMEXICO acquired Mexcananea equity shares which prior to that date were owned by a minority investor. *See "Business Description-Background and Equity Structure."*

ii) Operating Results as of June 30, 2000 and 1999.

Operations and Sales - Grupo Minero México (GMM)

During the year 2000, production volume in our main metal increased. This increase is principally the result of a better development of operations in the Cananea mining unit as well as a smooth operation in the rest of the mining units.

GMM - MINE PRODUCTION

		2nd. Quarter 2000 (Accrued)	2nd.Quarter *1999* (Accrued)	Var. %
Copper	(MT)	161,197	146,088	10.3
Zinc	(MT)	85,273	88,093	(3.2)
Silver	(Kg)	251,320	259,719	(3.2)
Gold	(Kg)	452	423	6.9
Molybdenum	(MT)	3,437	3,624	(5.2)
Lead	(MT)	15,264	18,704	(18.4)

Precious metals volumes, specifically silver and gold, also registered a significant increase of over 10% in sales with respect to last year because of the initiation of operations of the new precious metals refinery at La Caridad, Sonora. The lower volume of copper and zinc sold is due to the additional inventories in these metals caused, in the case of copper, by higher mine production that originally anticipated with respect to 1999. These metallic contents will be smelted and refined during the second half of this year, obtaining in the process, higher value added as well as capturing any differential in the price of said commodities.

GMM – PRODUCTION SOLD

		2nd. Quarter 2000 (Accrued)	2nd.Quarter *1999* (Accrued)	Var. %
Copper	(MT)	186,751	198,398	(5.9)
Zinc	(MT)	73,544	79,841	(7.9)
Silver	(Kg)	329,378	299,070	10.1
Gold	(Kg)	1,172	1,051	11.5
Molybdenum	(MT)	3,539	3,496	1.2
Lead	(MT)	16,335	20,522	(20.4)

For the six months ending June 30th of 2000, GMM sales in dollars amounted to Ps.5,367.1 million compared with Ps.5,291.7 million during the same period last year, representing an increase of 1.4%.

GMM's EBITDA for the first semester of 2000 amounted to Ps.1,032.9 million, representing 19.2% of sales, compared with an EBITDA of Ps.1,193.1 million during the same period last year and $3 million which compares to EBITDA of Ps.1,193.1 million representing 22.5% of the sales even though the price of copper has shown an increase this year, the 13.4% decrease of EBITDA is due principally to a decrease of 5.9% of copper sales in the year 2000. This decrease is due basically to a temporary shutdown for major maintenance of the La Caridad smelter that began during the month of June and was concluded last July 24 th. The maintenance permitted the smelter to recover production at designed capacity of over 3,000 metric tons of concentrates per day compared to approximately 2,500 metric tons per day obtained in the last few months; thus, increasing copper anode production by almost 20%.

The intensive investment program to integrate refined metals was concluded with the initiation of operations of the precious metals refinery at Caridad. The new precious metals refinery, in addition to the new smelter, the new copper refinery and the new rod mill of 150,000 tons capacity per annum, will add additional benefits to the mining division in the following quarters.

At the Cananea unit, expansion for the SX/EW refined copper plant continues which will add additional copper volumes at lower unit costs. This plant is programmed for the month of May of the coming year and will have a production capacity of 22 thousand additional metric tons of refined copper.

With respect to capital expenditures in new projects at GMM, a total of Ps. 431.9 million was invested during the first semester of the year 2000, of which Ps. 253.2 million were invested during the second quarter.

Operations and Sales – ASARCO

As of June 30th of this year, the turnaround of our subsidiary ASARCO operations in the United States is a reality as cost savings to date in production and administrative costs with respect to the same period last year now exceed U.S.$60.0 million dollars. This figure was calculated on a comparative basis, eliminating the effect of the specialty chemicals, Enthone-OMI, and The American Limestone Company, that in line with our strategy to focus primarily in our ore mining business, were desincorporated and sold during the first semester of this year for US$506 and US$219 million , respectively.

In addition, it is important to mention that net debt of this subsidiary has been reduced from its high of U.S.$1,741 million dollars after its acquisition in November of 1999 to a net debt of U.S.$977.9 million dollars as of June 30 of the present year, eliminating 88% of the U.S.$817 million dollar bridge loan facility used to purchase Asarco. In the month of July of this year, the remaining balance in the amount of U.S.$100 million dollars has been entirely paid down, thus eliminating 100% of the bridge loan facility and decreasing net debt to below U.S.$880 million dollars. Thus Asarco's debt has now been reduced by over half of the original debt when operations initiated in November of 1999, we can expect an important decrease in Asarco's financial costs for the second half of approximately U.S.$30 million dollars.

Production volumes of Asarco during this period were partially affected due to a decrease in ore grades and by new mine plan analyses conducted to optimize reserves and operations in the future, making it necessary to increase stripping of material in the short term that will benefit results in the near future.

ASARCO - MINE PRODUCTION

		2nd. Quarter 2000 (YTD)	2nd.Quarter *1999* (YTD)	Var. %
Copper	(MT)	140,964	155,425	(9.3)
Zinc	(MT)	29,248	29,203	0.2
Silver	(Kg)	500,311	523,189	(4.4)

Lead volume sold registered an increase of 8.1% with respect to the first half of 1999 due to an increase in production of this metal in our East Helena, Montana smelter. On the other hand, copper volume sold was lower than that of last year because of the shut down of the El Paso, Texas smelter during the second half of 1999. The lower silver sales can be attributed to the sale of two silver mines, Coeur and Galena, both located in the state of Idaho, during the month of August of 1999 as well as to lower silver production associated to the copper produced at the Amarillo, Texas refinery. With respect to zinc, a program to equip and improve the mines and plant in Tennessee was implemented, together with new working procedures, which will allow for increased production volumes at lower unit costs during the second half of 2000.

ASARCO - PRODUCTION SOLD

		2nd. Quarter 2000 (YTD)	2nd.Quarter *1999* (YTD)	Var. %
Copper	(MT)	221,754	286,444	(22.6)
Zinc	(MT)	26,497	32,069	(17.4)
Silver	(Kg)	99,647	269,605	(63.0)
Lead	(MT)	32,579	30,124	8.1

For the six months ended June 30th of 2000, ASARCO sales in dollars amounted to Ps.4,895.1 million compared with Ps.4,960.4 million during the same period last year, representing a decrease of 1.3%.

For the six months ending on June 30, 2000, this subsidiary's sales in dollars were 0.9% higher in dollars and 1.3% lower in pesos when compared with last year. The difference originates from the continued strength of the peso against the dollar as well as the increase in metals inventory generated through an excess in metals purchases that we expect to continue smelting and refining in the next months.

With respect to capital expenditures in new projects at ASARCO, a total of U.S.$27.6 million dollars were invested during the first semester of 2000, of which U.S.$13.4 million were invested during the second semester. All of these investments were allocated on operations' optimizations that include operating and administrative cost reductions as well as compliance with environmental agreements.

Operations and Sales - SPCC

Mine copper production increased 0.8% to 163,558 tons year to date compared with 162,205 tons during the same period last year. This increase was achieved because of significantly higher production at the Cuajone mine and at the solvent extraction electrowinning (SX/EW) plant at Toquepala, which will compensate for the lower ore grades caused by the implementation of new mining programs with medium and long term objectives that will allow for the optimization of mineral reserves as well as increased flexibility and safety of the mining operations.

SPCC - MINE PRODUCTION

		2nd. Quarter 2000 (YTD)	2nd.Quarter *1999* (YTD)	Var. %
Copper	(MT)	163,558	162,205	0.8
Silver	(KG)	58,824	46,172	27.4
Molybdenum	(MT)	3,168	2,577	22.9

SPCC - PRODUCTION SOLD

		2nd. Quarter 2000 (YTD)	2nd.Quarter *1999* (YTD)	Var. %
Copper	(MT)	163,890	158,724	3.3
Silver	(KG)	56,457	42,021	34.4
Molybdenum	(MT)	3,245	2,518	28.9

For the six months ended June 30th of 2000, SPCC sales of products amounted to Ps.3,051.8 million compared to Ps.2,573.3 million during the same period last year, representing an increase of 18.6%.

For the six months ended on June 30th of 2000, SPCC sales were 24.9% higher in dollars when compared with last year.

With respect to the expansion and modernization projects at SPCC; the project to protect the Cuajone mine from maximum flooding of the Torata river continues with construction work and reached 77% completion at the end of the second quarter of 2000, with an investment of U.S.$61.3 million out of the U.S.$75.5 million budget. The Torata river was diverted on June 30, 2000 to allow the beginning of the Cuajone pit expansion.

On another note, two proposals have been received to resume the Ilo smelter modernization and expansion project, and are currently being evaluated. Both alternatives fulfill our requirements to use the most efficient proven technology, permitting a higher design capacity to smelt 1.4 million metric tons of concentrates per annum compared with 1.1 million metric tons at present, which will allow us to obtain an economic return and comply with Peruvian environmental standards.

In addition, the feasibility studies for expansion of the Toquepala concentrator and mine were finished and the project was started with the basic engineering. Feasibility studies for a leaching section and a SX/EW plant at Cuajone are currently underway. Construction of this project is expected to begin during this year. These projects will improve SPCC's production capacity by over 30% per year when completed.

With respect to capital expenditures in new projects at SPCC, a total of U.S.$56.3 million dollars was invested during the first semester of 2000.

Railroad Division

Operations and Sales - Grupo Ferroviario Mexicano.

GFM continues to advance in terms of operating efficiencies. Locomotive availability increased to 91.7% as the result of programmed maintenance and the number of total accidents has dropped by 43.1% when compared to 1999.

Export volumes to the Unites States have increased by 19.5% when compared to last year due to the improvement of rail tracks and infrastructure as well as to the high number of border crossing points that our railroad services. Because of these border crossing points, our export and import clients are allowed increased flexibility in the number of routes their merchandise can take, depending on their point of origin and destination, allowing them to choose the shortest distance and saving them time and money.

In addition, the percentage of warnings that slow railroad traffic, up to June of 2000 has decreased to 4.9% compared to 11.6% last year.

We continue with the implementation of the modernization program along the entire railroad network as agreed with the Railroad Union, which will allow for better results through the application of improved technologies that permit further optimization of human capital and technology. These improvements will translate into important cost reductions and efficiency gains.

For the six months ending on June 30, 2000, income from services of the railroad division rose to Ps.2,704.9 million compared to Ps.2,562.9 million in the same period of last year representing an increase of 5.5%.

For the six months ending on June 30 , 2000, sales for services in dollars at GFM were 18.5% higher.

GFM's EBITDA for the six months ending June 30th of 2000 amounted to Ps.712.4 million dollars, or 26.3% of sales, compared with an EBITDA of Ps.690.2 million during the same period last year, a 3.2% increase.

Results were negatively impacted by the important increase in international fuel prices, particularly diesel, which registered an increase in cost of 47.1% with respect to last year. However, the impact has been significantly mitigated by increased operating efficiencies and increased volume transported as well as by a conservative increase in fares.

With respect to capital expenditures in new projects and asset acquisitions, a total of Ps. 525.0 million has been invested primarily on the reconstruction of rail tracks, modernization of maintenance shops, stations, expansion of yards and acquisition of control systems. All of these projects have been fully financed from internal cash flow generated by the railroad company.

Consolidated Financial Statements

Highlights (Expressed in Thousands of Mexican Pesos – Mexican Gaap)

FINANCIAL DATA *GAAP*	*Second Quarter*			*Year to date*		
	2000	*1999*	*Var. %*	*June 30 2000*	*June 30 1999*	*Var. %*
Net Sales	Ps.7,775.4	Ps.3,870.2	100.9	Ps.15,244.9	Ps.7,746.6	96.8
Operating Profit	575.2	334.7	71.9	1,048.9	878.0	19.5
EBITDA	1,390.6	841.8	65.2	2,695.9	1,848.7	45.8
Net Profit Majority	9.4	547.8	(98.3)	1,007.6	1,329.1	(24.2)
Ernings per Share	0.01	0.87	(98.9)	1.60	2.11	(24.2)

METAL'S PRICES AND OTHER INFORMATION		*Second Quarter*			*Year to Date*		
		2nd Quarter 2000	*2nd Quarter 1999*	*Var. %*	*June, 30 2000*	*June, 30 1999*	*Var. %*
Copper	US Cts./Lb.	80.3	67.1	19.7	81.3	65.5	24.2
Zinc	US Cts./Lb.	51.4	46.3	11.2	51.4	45.7	12.5
Silver	Dlls./Oz	5.0	5.1	(1.8)	5.1	5.2	(1.9)
Gold	Dlls./Oz	280.2	273.5	2.5	285.2	280.1	1.8
Molybdenum	US Dlls./Lb	2.7	2.6	3.8	2.6	2.6	(0.3)
Lead	US Cts./Lb	18.9	23.5	(19.5)	19.8	23.2	(14.7)

GMEXICO consolidated financial results for the quarter ended June 30th 2000 include those of Grupo Minero Mexico (GMM) and Grupo Ferroviario Mexicano (GFM) as well as the results of ASARCO and Southern Peru Copper Corporation (SPCC) as a result of their acquisition late in 1999.

GMEXICO's consolidated net sales for the first six months of 2000 in pesos were 96.8% higher than those reported during the same period last year. The increases in sales are due, in part, to the consolidation of ASARCO and SPCC, and to higher sales from the railroad. The mining division accounted for 83% of sales and is denominated in dollars and the remaining 17% corresponded to the railroad division and is denominated in pesos.

The cost of sales with respect to the mining division for the six months ending on June 30th of 2000 amounted to Ps.9,941.7 million representing 78.6% of sales, compared to that reported for the same period of the previous year. The cost of sales will consistently decrease as we optimize the incorporation of our new mining subsidiaries. On the other hand, administrative cost continue to represent between 4.6% of sales even after the incorporation of ASARCO and SPCC.

The cost of sales for the railroad division during the first semester of 2000 amounted to Ps.1,900.6 million compared to Ps. 1,776.3 million incurred fpor the same period of 1999.

EBITDA during the first semester of 2000 amounted to Ps.2,695.9 million and represented 17.7% of consolidated sales compared to EBITDA of Ps.1,848.7 million generated during the same period of last year representing an increase of 45.8% .

Net earnings for the six months ending June 30th 2000 amounted to Ps.2,521.7 million representing a 16.5% increase of consolidated sales compared to net earnings of Ps. 878.0 million for the same period of last year.

For the six months ending June 30th of 2000, net earnings amounted to Ps. 1,007.6 million compared to net earnings of Ps.1,329.1 million during the same period of previous year. The lower earnings are due to the devaluation of the Mexican peso, despite its continued strength against the US dollar during the second quarter of 2000.

With the consolidated integrated cost of financing in accordance with Mexican GAAP represented a Ps. 705.2 million loss during the first semester of 2000 due principally to the Mexican peso devaluation against the dollar by Ps. 594.4 million and a Ps. 1,013.9 million gain on monetary position.

GMEXICO results were positively impacted by various factors, including higher prices of the majority of the metals that we produce compared to the same period last year and significant operating and administrative cost savings at our new subsidiaries, Asarco and SPCC, that now amount to over U.S.$70 million year to date. On the other hand, results were negatively impacted by the effect on net sales in pesos of the continued strength of the Mexican pesos against the US dollar as sales expressed in dollars rose by approximately 122% compared to a 96.8% increase in pesos for the first semester of 2000. Sales were also affected by an increase in metals inventories in GMM because of higher mine production than originally anticipated and in Asarco because of higher inventories caused by an excess of third party metals purchases. We expect these excess inventories to continue to be processed in the following months. In addition, operating costs were affected by an increase in energy prices such as diesel and natural gas as well as electricity.

Liquidity & Leverage

The cash balance up to June 30th of 2000, in the amount of Ps. 2,594.9 million, represents a decrease of 58.7% in real terms when compared to the same period of 1999. The decrease can be attributed to approximately U.S.$260 million that GMEXICO used of its own funds to acquire Asarco shares at the end of 1999.

Total capital investment for the first six months of 2000 amounted to Ps. 1,766.9 million and was funded through the company's own operations. With respect to the funds from the disinvestments of non-mining assets at Asarco (Specialty Chemicals and Construction Aggregates) during the first semester of 2000 in the amount of Ps. 7,052.4 million (approximately U.S.$725 million), these were fully applied toward paying down the $817 million dollar bridge loan facility used for the acquisition of Asarco. The remaining balance of the U.S.$817 million facility was paid down entirely during the month of July of 2000. The benefit from the significantly lower financial leverage will be reflected in the following quarters.

The aforementioned transactions allow GMEXICO to achieve its strategic objectives to reduce leverage and improve its debt coverage ratios.

Amortization of the Excess Book Value Over the Cost of Shares for Subsidiary Companies

The excess in book value over the cost of acquired shares generated in the acquisition of ASARCO and subsidiary companies' amounted to Ps. 6,427.8 million, and was reclassified from property plant & equipment into a deferred credit that will be amortized over a two-year period. The impact on the first semester results for the year 2000 represented a credit to the operating costs of G.Mexico in the amount of Ps. 1,472.8 million in accordance with Mexican GAAP (Bulletin B-8) issued by the *Comisión de Principios de Contabilidad del Instituto Mexicano de Contados Públicos*.

OTHER RELEVANT INFORMATION

Breaking Even Points

The cash operating cost for the first half of 2000 to produce and sell a pound of copper was 44.3 cents to the dollar for GMM, 53.8 cents for SPCC and 75.0 cents for ASARCO. The consolidated cash operating cost for G.Mexico in the first half of 2000 was 56.8 cents per pound of copper. This figure is below that originally anticipated and will be further reduced as the integration of our mining units is optimized. The average price of copper for the first six months of 2000, as registered in the COMEX exchange, was of 81.3 cents per pound of copper.

Bulletin D-4

Beginning on January 1st of 2000, in accordance with Generally Accepted Accounting Principles in Mexico (Mexican GAAP), the new accounting bulletin D-4 denominated "Accounting Treatment for Income Tax, Asset Tax and, Workers Participation of Profits" took effect. The bulletin establishes new criteria for the measurement, recognition and presentation in financial statements of deferred taxes. The impact on G.Mexico's financial statement for the first semester of 2000 is revealed as a decrease in the book value of equity and its corresponding recognition in long-term debt in the amount of Ps. 5,957.4 million. With respect to its recognition in the income statement, majority net earnings were impacted by Ps. 69.0 million for the first semester of 2000.

iii) Financial Position, Liquidity and Capital Resources

GMEXICO invests allof its cash surplus in short-term investments to obtain the best returns possible.

With respect to the management of treasury operations of its subsidiaries in Mexico and Peru, GMEXICO mantains 60% of its available cash in US dollars to amortize banking credits and their corresponding financial costs as well as its liabilities with suppliers and miscellaneous creditors expressed in said currency. The remaining 40% is held in the local legal currency corresponding to each country in order to make local payments such as wages and salaries as well as varied production costs and fiscal requirements. In the case of Asarco,on account of being located in the United States of America, it holds 100% of its available cash in US dollars.

GMEXICO principal capital requirements are to finance capital expenditures. Capital expenditures amounted Ps. 4,880.1 million in 1999, Ps.2,690.5 millon in 1998 and Ps.7,512.9 millons in 1997. GMEXICO has budgeted total capital expenditures for the tax year of 2000 approximately Ps. 666.2 millions. *See "Business Description-Capital Expenditures"*. The actual amount GMEXICO will spend depends to some extent on the pace at which current investment projects are implemented. A majority of capital expenditures are priced in foreign currencies, basically dollars, therefore the amount of capital expenditures as stated in constant pesos in GMEXICO's financial statements will also depend on the peso exchange rate versus the U.S. dollar.

In November 1999, GMEXICO concluded its acquisition of Asarco's at U.S.$29.75 on spot per share.

Rationalization and consolidation of the copper industry in southern United States, started in the first half of 1999 by means of reductions in the production of some high-cost mines of The Broken Hill Proprietary Company Limited (BHP), Asarco and PD. The process reached a significant condition when on July 15, 1999, Cyprus and Asarco announced their proposal to merge both companies in a conglomerate that would become the second copper producer in the world, and thereby taking advantage of all the synergies both companies assets and operations in southern United States represented. Later, on August 20, 1999, PD announced its intention to acquire both Cyprus and Asarco, by means of a share exchange operation, valued at U.S.$ 2.66 billion. On September 22, PD increased its offer for the two companies to U.S.$ 2.77 billion, including a cash payment in the amount of U.S.$ 982 million. PD's offer was made in order to defend its competitive position as well as to take advantage of the large number of synergies among the three companies.

In September 1999 GMEXICO tendered through a call option on Asarco's shares at U.S$26.00 dollar on spot per share. GMEXICO's real intention was a chance for the opportunity to become one of the leading copper producers in the world, the expand its reserve basis, to take advantage of operating costs and synergies and thereby, provide a springboard for its international development. After a number of bids both from PD and GMEXICO, GMEXICO finally obtained the purchase through an offer of U.S.$ 29.75 on spot per each of Asarco's shares.

The aggregated acquisition cost was U.S.$ 2,445 million, including U.S.$ 1,183 for the value of Asarco's outstanding shares, U.S.$ 1,082 million for the assumption of Asarco's debt, and approximately U.S.$ 180 million for expenses and fees. The acquisiton was funded through debt agreements in the amount of U.S. 817 million,

GMEXICO's own cash resources in the amount of U.S.$ 430 million, and approximately U.S.$ 117 million from Asarco's shares previously owned by GMEXICO. GMEXICO assessed the benefits of prepaying as soon as possible the acquired banking debt and undertook the selling of non- strategic business lines, i.e. specialty chemicals and aggregates, as well as the monetizaction of the option on GMEXICO's shares that Asarco held. Consequently, on January 13, 2000 GMEXICO announced the execution of the chemical specialty segment to an British company called Cookson Group, Plc. in the cash amount of U.S.$503 million, plus a debt assumption of U.S.$ 9.3 million. On June 30,2000, the aggregates business line sales to an Australian company named CSR America, took place in the amount of U.S.$211 million, plus the cash balance as of June 30, 2000, as well as the work capital possitive balance for the period from April 1 to June 30, 2000. The total of U.S.$503 million and of the U.S.$211 million was used to pay off a material part of the debt. During the first days of July, 2000, GMEXICO finished negotiation for the monetization of the option on Asarco on GMEXICO's stocks in the amount of approximately U.S.$ 73 million, with which the debt acquired by Asarco for U.S.$ 817 million was paid off in its entirety in July of 2000.

GMEXICO's could have additional capital requirements in the case of deciding to another strategic acquisition. Low copper prices, as well as of other metals could present opportunities for consolidation and GMEXICO could consider the acquisition of other businesses related to the extraction and processing of non-ferrous metals, particularly in Latin America. Any such acquisition could require GMEXICO to obtain additional financing facilities or use part of its cash.

GMEXICO made a dividends payment of Ps. 314.1 million, in of Ps. 340.6 and of 270.1 million, in April of 1999, in April of 1998 and in April of 1997, respectively.All of the above mentioned dividends payments were made with its own resources derived from its operations. In December 1997, GMEXICO repurchased with its own resources, the minority interest of an investor in Mexcananea. In March of 1998 GMEXICO, through its subsidiay GMM, issued U.S. $500 million of Senior Guaranteed Notes that were applied by GMEXICO to pay for short-term financing of its investment in GFM.

GMEXICO has no financial obligations of acting on or abstaining from acting in its unpaid debt that might prohibit in a direct way to make dividend payments as long as it continues to fulfill certain financial ratios described below.

GMEXICO has generally fulfilled its capital requirements outside its cash flow operations, complemented to the degree that credits are required for specific investment projects and for credit in general. As of December 31, 1999, GMEXICO also has Ps. 2,718.8 million in cash and equivalents.

Resources generated by operations are fewer in years in which low prices in metals adversely affected GMEXICO's earnings. In 1998, resources generated by operations as expressed in financial statements according to GAAP, reflect Ps. 313.6 million related to the write-downs of certain assets at the Cananea Unit. From the net of these operations, resources generated by operations according to GAAP were in the amount of Ps 4,773.1 million , that were slightly higher in real terms than those generated in 1998 and 1997, principally due to the effect of the consolidation of operations at Asarco beginning November 17,1999. According to GAAP, resources generated by operations in 1998 were in the amount of Ps. 4,450.0 million.

GMEXICO's total indebtedness as of December 31, 1999 was in the amount of Ps. 33,036.3 million, 100% denominated in dollars and 44.5% of which bore interest at variable rates. In 1998 and 1999, GMEXICO repurchased a portion of the Guaranteed Senior Notes on the open market. The repurchased Notes were amortized during the first semester of the year 2000.

The long-term debt, in thousands of dollars as of December 31, 1997, 1998, 1999, and at June 30,2000 is integrated as follows:

MEXICO	**1997**	**1998**	**1999**	**Jun 2000**
Loans with ING Baring (U.S.) Capital Corporation, Chase Securities, Inc. Banque Paribas at LIBOR plus 0.875% Maturing in August 1999 .	127,000	-	-	-
Syndicated loan with Bank of America, at LIBOR plus 0.90%, And LIBOR plus 1.375%, maturing from 2001 to 2003.	-	130,000	130,000	175,000

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Guaranteed Debt Notes Series "A" and "B", at 8.25% and 9.25% Maturing in 2008 and 2028.	-	500,000	500,000	441,245
Secured Export Notes Series B-1, C, D and E, at 8.05%, 8.51%, 9.43% and LIBOR plus 0.89%, maturing from 1998 to 2011	600,000	597,917	572,917	560,417
Revolving credit with The Chase Manhattan Bank, at LIBOR plus 3.75%, con vencimiento en el 2001.	-	-	100,000	100,000
Loans with the Export Development Corporation, at LIBOR plus 0.625% and LIBOR plus 0.75% maturing from 1997 to 2004.	46,423	80,886	76,529	68,494
Export loan with Societe Generale, at LIBOR plus 0.25%, Maturing from 1997 to 2004.	19,020	18,306	15,255	13,730
Loan with Bank of América, at LIBOR plus 3.375% and LIBOR plus 0.1%, maturing from 2000 to 2009.	-		95,000	95,494
Financial Subleasing Agreements with Ferrocarriles Nacionales de México, S.A. de C.V., at 11.355% and LIBOR plus 1.626%, maturing in 2001	-	7,300	4,204	2,803
Loan with Midland Bank, at LIBOR plus 1.75% maturing in 2001	-	-	-	5,500
Guaranteed Debt notes to be replaced	-	(45,223)	(49,248)	-
	792,443	1,289,186	1,444,657	1,462,683
USA				
Bridge-over Loan for Asarco's acquisition, Maturing in 2001	-	-	817,000	100,000
Revolving credit agreements	-	-	265,000	350,000
Pollution Control Bonds at 5.6% to 8.9% rates. Maturing from 2018 to 2033	-	-	159,300	159,300
Leasing obligations, at 7.3% to 12% rates Maturing from 1999 to 2007	-	-	28,700	6,030
Notes at 7.0% and 7.375% rates, maturing in 2001 and 2003	-	-	137,600	137,600
Non-guaranteed, at 7.375% and 8.50% rates, Maturing in 2013 and 2025	-	-	189,800	189,800
	-	-	1,597,400	942,730
PERU				
Secured Export Notes at 7.9% interest rates, Maturing in 2007	-	-	142,000	140,657
Bonds at 8.25% interest rate, maturing in 2004	-	-	49,900	49,900
Loans with the Mitsui Loan Agreement, at LIBOR plus 1.75% maturing in 2013	-	-	-	22,000
	-	-	191,900	212,557
Interest payable and other small credit facilities	31,269	18,283	62,347	33,861
Total debt :	832,712	1,307,469	3,296,304	2,651,831
Less: Current asset portion of long-term debt	24,635	65,368	145,280	112,538
Total long-term debt :	799,077	1,242,101	3,151,024	2,539,293

Interest paid by the Company during 1999 and 1998 (excluding capitalized interest in the amount of 3,419 and 3,710 thousand U.S. dollars in 1999 and 1998, respectively) was 120,238 and 74,157 thousand U.S. dollars, respectively

GMEXICO expects to have sufficient operating resources to fund the capital expenditures it is currently predicting, for capital work needs and for corporate purposes in general. GMEXICO also expects to continue to have access to credits guaranteed by foreign export credit agencies to finance certain equipment purchases. The amount of obtained operating resources may be affected, nonetheless, for a number of factors, including changes in metal prices.

Some of the indicators of GMEXICO's financial behavior are presented below:

Financial Ratios	June-2000	December-1999	December-1998
Current assets to current liabilies	1.86 times	2.33 times	4.19 times
Current assets less inventory to current liabilities	1.02 times	1.55 times	3.13 times
Total liabilities to total assets	57.98 %	55.76 %	35.51 %
Total liabilities to stockholders' equity	1.38 times	1.26 times	0.55 times
Inventory turnover	120 days	103 days	113 days
Turnover of receivables	36 days	37 days	31 days

The ratio of current assets to currents liabilities decreased from 4.19 times in 1998 to 2.33 times in 1999, basically due to the use of cash and to the increase in the short-term payable accounts for the acquisition of Asarco in November 18, 1999 and the incorporation of this subsidiary to GMEXICO's financial statements; The reduction to 1.86 times at June 30,2000 is due to the disinvestment of non-strategic assets applying these resources to reduce the long-term debt. The aforesaid is also reflected in the ratio of current assets less inventory to current liabilities which by 1998 was 3.13 times decreasing to 1.55 times in 1999 and to 1.02 times by June, 2000.

With respect to the ratio of total liabilities to total assets, which was 35.51% in 1998, the same was increased to 55.76% in 1999, due to the incorporation of Asarco's assets and liabilities and GMEXICO cash decrease since a portion of the cost of Asarco shares was paid in cash. The increase to 57.98% by June 30,2000, is due to the recognition of deferred taxes liability according to the guidelines set forth in the D-4 of the GAAP.

With respect to the ratio of total liabiities to stockholders' equity, it was increased from 0.55 times in 1998 to 1.26 times in 1999, due to the new long-term credit facilities obtained for the acquisition of Asarco and to the incorporation of the total assets of this new subsidiary.

With respect to the inventory and receivable turnover despite the incorporation of Asarco no significant changes have been experienced.

IV) Other Relevant Matters

Year 2000

As planned, the computing software and equipment, the communication systems and all of the systems to control processes used by GMEXICO, were not affected by problems related to the date change of the year 2000.

Quantitative and qualitative disclosures about market risks

In the normal course of business, GMEXICO holds or issues a number of financial instruments that expose GMEXICO to financial risks involving fluctuations in currency exchange rates and interest rates. Likewise, GMEXICO's metal business is affected by commodity price movements. GMEXICO may use derivative financial and commodity instruments to manage such risks. All financial instruments held by GMEXICO are for purposes other than trading.

As part of a risk management strategy, GMEXICO has established an independent risk management team. The role of this team is to monitor and manage GMEXICO's risk exposure. This team has prepared a manual of policies and procedures for the use of derivatives as exchange hedging instruments, reviewing limits, reports and authorization processes in order to monitor operations.

Interest Rate Risk

GMEXICO's exposure to interest rate risks relates basically to its liabilities. GMEXICO's policy consists of managing its interest rate risks through a combination of fixed and floating rate debt. Currently, all of its liabilities are denominated in dollars, which exposes GMEXICO to risks associated with fluctuations in foreign exchange rates. Currently, two thirds of its debt is based on fixed rates, while the remaining portion is based on variable rates.

The table below provides information on GMEXICO's financial instruments that are sensitive to changes in the interest rates, including liabilities. As of June 30, 2000, GMEXICO did not hold any interest rate sensitive to derivative financial instruments. With respect to liabilities, the table presents the main cash flows and related weighted average interest rates for the expected maturity dates. The fair value of long-term debt is based on the quoted market prices for the same or similar issues, as well as on the present value of future cash flows.

The following table shows GMEXICO's interest rate risk exposure:

	Expected Maturing Date						
	2000	**2001**	**2002**	**2003**	**2004**	**Post**	**Total**
	(millions of constant pesos as of June 30, 2000, except %)						
Liabilities at fixed rate	1,368.7	922.5	1,366.0	901.2	901.2	12,218.2	17,677.8
Average charge on interest rates (1)	7.81%	9.29%	9.14%	10.26%	10.26%	7.69%	
Variable rate liability	2,097.1	3,088.3	4,837.0	1,642.3	908.0	2,785.8	15,358.4
Average charge on interest rates (2)	8.10%	8.52%	7.94%	7.82%	7.82%	8.24%	

(1) The fixed interest rates shown are average servicing charges as agreed upon by GMEXICO

(2) The variable interest rates shown are based on the LIBOR anticipated six-month curve, plus differentials of average charge for GMEXICO.

Foreign Exchange Risk

GMEXICO exposure to market risk associated with changes in foreign currency exchange rates is related basically to its obligations denominated in US dollars, as shown in the interest risk table above. Nonetheless, GMEXICO has a natural hedge that mitigates much of its exposure, considering that all of its sales are denominated in US dollars. In addition, GMEXICO may use currency futures contracts to hedge its exposure versus the US dollar. As of June 30, 2000, GMEXICO did not hold any currency futures contracts.

Although all of GMEXICO's sales prices and invoices are expressed in US dollars, a substantial portion of GMEXICO's cost of sales (approximately 49% in 1999) is denominated in Mexican pesos. Consequently, when inflation in Mexico increases without a corresponding peso devaluation, as ocurred in 1997, GMEXICO's operating income is negatively affected. Nevertheless, when inflation in Mexico is lower than the Mexican peso devaluation, as it ocurred in 1998, GMEXICO's operating income is positively affected. GMEXICO has significant liabilities and assets denominated in US dollars, therefore, it is exposed to exchange-loss when the peso declines in value versus the US dollar.

Commodity Price Risk

GMEXICO's exposure to commodity price fluctuations is related primarily to copper, zinc and silver, as well as to other industrial and precious metals. GMEXICO's selling prices depend mainly on the metal market prices, especially for copper and, to a lesser extent, zinc and silver. Such prices can fluctuate widely and are beyond GMEXICO's control. Considering that the metals produced by GMEXICO can generally be sold at prevailing market

prices, GMEXICO's operating results are highly sensitive to such prices. *See "Management Discussions and Analysis on GMEXICO's Operating Results and Finacial Position - Commodity Prices."*

Ocasionally, GMEXICO has entered into hedging transactions to have partial protection against future decreases in the market price of metals , and it may do so when it believes that market conditions are adequate. GMEXICO's policy is to enter into over-the-counter transactions with major participants in the commodities options and future markets.Hedging transactions may take the form of options that effectively establish a minimum price for GMEXICO's sales of a specified volume of a metal, or they may take the form of swaps, forward sales or futures contracts that fix the price for a specified volume of a metal. GMEXICO may also enter into combined transactions, with the intention of establishing minimum prices for its metal products while preserving possible benefits for GMEXICO in case market prices increase. Decisions related to each transaction and the hedging policy are generally made centrally by a senior management committee of GMEXICO, which is currently integrated by the Chief Executive Officer, Chief Financial Officer and the risk manager, to be sure that risks and benefits have been adequately measured.

Depending on market conditions GMEXICO may use swap contracts to be protected against adverse movements in the price of metals it produces. For example, swap contracts are sometimes used to fix the selling price of refined copper and zinc when GMEXICO executes a supply contract.

As of June 30, 2000 GMEXICO had not executed any derivative commodity instrument.

The table below provides information about GMEXICO's inventory of metals that are sensitive to changes in commodity prices. The table presents the fair value based on spot prices as of June 30, 2000

Inventory of Metals	Total (Tons)	Fair Value (millions of constant pesos as of June 30,2000
Copper	191,475	3,397.3
Zinc	40,161	450.1
Silver	689.9	1,122.1
Lead	41,745	180.4
Gold	4.3	388.4

Sensitivity Analysis

A hypothetical and unfavorable 10% change in currency exchange rate might have resulted in an estimated foreign exchange loss of approximately Ps. 2,715.5 million, reflecting the increased value in pesos of GMEXICO's foreign currency denominated indebtedness. Such a change would also have resulted in additional interest expense of approximately Ps. 107.4 million, reflecting the increased costs in pesos of servicing GMEXICO's U.S. dollar denominated indebtedness. This sensitivity analysis assumes an instantaneous unfavorable 10% fluctuation in the exchange rate of Mexican pesos to U.S. dollars.

A hypothetical, instantaneous and unfavorable change of 100 basis points in the LIBOR applicable to GMEXICO's floating rate financial assets and liabilities held as of June 30,2000 would have resulted in additional financing expense of approximately Ps. 67.5 million. This sensitivity analysis is based on the assumption of an unfavorable 100 basis point movement of the interest rates applicable to each homogeneous category of financial assets and liabilities. An homogeneous category is defined according to the currency in which financial assets and liabilities are denominated and assume the same interest rate movement with each homogenous category.

Purchase Options of GMEXICO or its subsidiaries' shares

GMEXICO offers to specific employees a stock purchase plan (the "Employees Stock Purchase Plan") through a trust that acquires GMEXICO's shares to be sold to employees of GMEXICO, its subsidiaries and certain affiliated companies. GMEXICO's officers and directors are candidates to participate in the Employees Stock Purchase

Plan. Sales are made at the approximate fair value market price of the shares at the date of the sale, and the employees pay for such shares over periods extending to a maximum of eight years, on an interest-free basis. The number of shares assigned to each employee is determined according to the position of the employee of GMEXICO.

Perspectives and Information on Recent Trends

As described in *"Financial Information - Market Information and Competitive Advantage - Tariffs and Risk Factors"*, the most significant trend that has affected GMEXICO's operating results for the last three years is the fluctuation of prices for metals produced and traded by GMEXICO. The volume sales of the principal mining commodities have been relatively stable for the last three years, with a notable trend to produce and sell refined metals with a higher value added and GMEXICO expects that by incorporating Asarco's mining operations these products' volumes will be materially increased. GMEXICO cannot predict how the changes in inflation rates, interest rates, or any other external economic factor affecting the economies of countries where GMEXICO carries out its operations, might affect its net income.

V. Annexes